

## USPS-R2012-3/4

### Package Services Cap Compliance Preface

#### A. Overview of the Workpapers

The Package Services workpapers consist of one Excel workbook, CAPCALC-PSVC-R2012.xls. For purposes of calculating the percentage change in prices, the Package Services class includes Single-Piece Parcel Post (SPPP), Inbound Surface Parcel Post (at UPU rates), Bound Printed Matter (BPM) Flats, Bound Printed Matter (BPM) Parcels, and Media/Library Mail. **The revisions of November 8, 2011, are described at the end of this Preface.**

Workbook CAPCALC-PSVC-R2012.xls contains the FY 2010 Q4-FY2011Q3 billing determinants used to calculate the Package Services revenue components for the price change calculation. CAPCALC-PSVC-R2012.xls also contains the current and new prices for Package Services and calculates the Single-Piece Parcel Post revenues at current and new prices.

The calculations in CAPCALC-PSVC-R2012.xls are arranged by product and are summarized as follows:

- **Single Piece Parcel Post:** This consists of seven worksheets. The first, titled "SP Parcel Post" is a description of the content of the other worksheets in the Single Piece Parcel Post section. The "Inputs" worksheet contains volume information for Single Piece Parcel Post. The "Current Prices" worksheet contains the prices that became effective April 17, 2011 from Docket 2011-2. The "SP Parcel Post BD" worksheet contains revenue information distributed by Zone and weight for FY 2010 Q4 – FY 2011 Q3. The proposed prices are contained in worksheet "New SP Parcel Post Prices." The final two worksheets show Q4 FY 2010 – Q3 FY 2011 revenue using current prices and proposed prices. The revenue using current prices is in worksheet "SPPP Rev @ Curr Prices" and the revenue using proposed prices is in worksheet "SPPP Rev @ New Prices". The worksheet "SPPP Rev @ New Prices" calculates the price increase by dividing the difference between revenues at proposed prices and revenue at current prices by revenue at current prices.
- **Inbound Surface Parcel Post (at UPU rates):** The revenue calculations are contained in three worksheets. The first worksheet, "Inbound Surface Parcel Post BD," contains the billing determinants; the second, "Inb. Surface Parcel Post Prices," has the 2011 and 2012 prices; and the third, "Inb. Sur. PP @Cur&New Prices," calculates the revenues at both sets of prices.

- **BPM Flats:** This section consists of nine worksheets. The first, titled “BPM Flats,” is a description of the content of the other worksheets in the BPM Flats section. The first two worksheets following “BPM Flats” contain the single piece and presorted BPM Flats billing determinants. The next four worksheets contain prices: the first two have the current prices for single piece and presorted BPM Flats, followed by two that contain the new prices for single piece and presorted BPM Flats. The final two worksheets contain the calculations of single piece and presorted BPM Flats revenues at current prices and at the new prices. Details of the content and calculations are contained below in section C, and in the CAPCALC-PSVC-R2012.xls workbook in the “BPM Flats” worksheet and the individual worksheets themselves.
- **BPM Parcels:** This section consists of nine worksheets. The first, titled “BPM Parcels,” is a description of the content of the other worksheets in the BPM Parcels section. The next two contain the single piece and presorted BPM Parcels billing determinants. The next two contain the current prices for single piece and presorted BPM Parcels followed by two worksheets with the new prices for single piece and presorted BPM Parcels. The final two worksheets contain the calculations of single piece and presorted BPM Parcels revenues at current prices and at the new prices. Details of the content and calculations are contained below in section C, and in the CAPCALC-PSVC-R2012.xls workbook in the “BPM Parcels” worksheet and the individual worksheets themselves.
- **Media Mail and Library Mail:** This section consists of five worksheets. The first, titled “MM-LM,” is a description of the content of the other worksheets in the section. The second worksheet contains the Media Mail and Library Mail billing determinants, as well as the current prices. The next worksheet has the new prices for Media Mail and Library Mail. The final two worksheets contain the calculations of revenues at current prices and at the new prices. Details of the content and calculations are contained below in section C, and in the CAPCALC-PSVC-R2012.xls workbook in the “MM-LM” worksheet and the individual worksheets themselves.
- The final section of CAPCALC-PSVC-R2011.xls is the “Package Services Summary” worksheet. This worksheet contains the price change calculation for all Package Services. It adds up the revenues at current prices from the current prices revenue sheets in the workbook to obtain total Package Services revenue at current prices. It adds up the revenues at new prices from the new prices revenue sheets in the workbook to obtain total class revenue at the new prices. It then calculates the percent change in the Package Services average price. This worksheet also calculates the new unused price change authority for Package Services. Details are supplied in section B, below, and in the “All Package Services Summary” worksheet.

## B. The Revenue Calculations

### 1. Single-Piece Parcel Post

Revenues for Single-Piece Post are calculated in worksheet “New SPPP Prices.” Details are presented in the worksheets themselves.

### 2. Inbound Surface Parcel Post (at UPU rates)

The billing determinants and prices for Inbound SPP are contained in workbook CAPCALC-PSVC-R2012.xls. Billing determinants are in worksheet “Inbound Surface Parcel Post BD” with references to where the data are found in the ICRA. Worksheet “Inb. Surface Parcel Post Prices” contains the prices we charge for delivery of Inbound SPP. For all countries except Canada, which has a negotiated agreement for provision of Inbound Surface Parcel Post, there is one per-item and one per-kilogram charge. The prices are denominated in Special Drawing Rights (SDRs). Price changes take place on a calendar year basis so the price change is the difference in the rates from December 31, 2011 to January 1, 2012.

Worksheet “Inb. Surface Parcel Post Prices” also contains data on the conversion of the item charge from SDRs to US\$. The conversion factor used was the August 15, 2011 exchange rate of 1 SDR equals \$1.603284. Worksheet “Inb. Surface Parcel Post Prices” also contains data on the conversion of the kilogram charge to pounds. In addition, kilograms were converted to pounds by using the conversion factor of 1 kilogram equals 2.2046 pounds.

Worksheet “Inb. Sur. PP @Cur&New Prices” contains the volume and weight data contained in “Inbound Surface Parcel Post BD” and the 2011 rates for Inbound SPP in “Inb. Surface Parcel Post Prices.” Multiplying the volume and weight by the CY 2011 rate equals the revenue at “current” prices. Using the same volume and weight as the above calculation and multiplying these by the estimated rates effective January 1, 2012, equals the revenue at new prices. “Inb. Sur. PP @Cur&New Prices” then shows the percent change by dividing the revenue at new prices by the revenue at “current” prices. The total percent change for Inbound SPP is 1.958 percent.

### 3. BPM Flats

The billing determinants, current and new prices and revenue calculations for Bound Printed Matter Flats are all contained in workbook CAPCALC-PSVC-R2012.xls in nine worksheets. The worksheet “BPM Flats” with the red tab contains a description of the BPM Flats section of the workbook.

The billing determinants for BPM Flats are in the two worksheets “Q4FY2010-Q3FY2011 BDs BPM SP Flats” and “Q4FY2010-Q3FY2011 BDs BPM Presort Flats.” The current prices are in the worksheets “Current BPM SP

Flats Prices” and “Curr. BPM Prsrt. Flats Prices” and the new prices are in worksheets “New BPM SP Flats Prices” and “New BPM Presort Flats Prices.” Sources for these data are given in the individual worksheets. Revenues are calculated using current and new prices by multiplying the volumes from the billing determinants by the current and new prices. Details are presented in worksheets “BPM Flats Revs.@Curr. Prices” and “BPM Flats Revs.@New Prices.”

#### 4. BPM Parcels

The billing determinants, current and new prices and revenue calculations for Bound Printed Matter Parcels are contained in workbook CAPCALC-PSVC-R2012.xls in nine worksheets. The worksheet “BPM Parcels” with the red tab contains a description of the BPM Parcels section of the workbook.

BPM Parcels billing determinants are in the next two worksheets “HYBRID BDs BPM SP Parcels” and “HYBRID BDs BPM Presort Parcels.” These worksheets show HYBRID as the four quarters between Q4FY2010 and Q3FY2011 (inclusive). Current BPM Parcels prices are in the worksheets “Current BPM SP Parcels Prices” and “Curr. BPM Prsrt. Parcels Prices” and the new prices are in worksheets “New BPM SP Parcels Prices” and “New BPM Presort Parcels Prices.” Sources for data are given in the individual worksheets. Revenues are calculated using current and new prices by multiplying the volumes from the billing determinants by the current and new prices. Details are presented in worksheets “BPM Parcels Revs.@Curr. Prices” and “BPM Parcels Revs.@New Prices.”

#### 5. Media Mail and Library Mail

The billing determinants, current and new prices and revenue calculations for Media Mail and Library Mail are contained in workbook CAPCALC-PSVC-R2012.xls in four worksheets. The worksheet “MM-LM” with the red tab contains a description of the Media Mail and Library Mail section of the workbook.

The billing determinants and current prices for both Media Mail and Library Mail are in the worksheet “Q4FY 2010-Q3FY 2011 MM & LM BDs.” The new prices are in the worksheet “MM & LM New Prices.” Sources for data are given in the individual worksheets. Revenues are calculated using current and new prices by multiplying the volumes from the billing determinants by the current and new prices; details are presented in worksheets “MM & LM Revs. @ Current Prices” and “MM & LM Revs. @ New Prices.”

#### 6. All Package Services

Worksheet “Package Services Summary” in CAPCALC-PSVC-R2012.xls contains the percent change calculation for the Package Services class. Specific sources and details are contained in worksheet “All Package Services Summary.” The new prices in this announcement increase the average Package

Services class price by 2.133 percent. This is at the Package Services 2.133 percent overall price adjustment authority. This worksheet also calculates the new unused price change authority from the cap and the class percentage increase at 0.000 percent.

## **REVISIONS OF NOVEMBER 8, 2011**

Four corrections to the “CAPCALC-PSVC-R2012” worksheets are necessary to correct errors. These corrections are as follow:

1. The worksheet “New BPM Presort Flat Prices” Carrier Route DSCF pound rate (cell c28) needs to be changed from \$0.430 to \$0.0430. This error had no impact on revenue calculations and results in no other changes to the worksheets.
2. The worksheet “New BPM SP Parcel Prices” Zone 8 per pound rate (cell k34) needs to be changed from \$0.56 to \$0.59. This error had no impact on revenue calculations and results in no other changes to the worksheets.
3. The worksheet “BPM Parcel Revs@Curr. Prices” Presorted Non-Dropshipped Zone 8 per pound rate (cell e89) needs to be changed from \$0.565 to \$0.568. This change impacts the revenue calculations for Presort BPM Parcels at current prices and impacts the revenues for BPM parcels on the summary page. This change adds \$26,811 to the current revenue for BPM Parcels, which results in a smaller price increase percentage for Package Services (0.002%).
4. The Hybrid Billing Determinant volumes omitted the volumes for the first and second quarters of the hybrid year for in Zones 1&2, 3, 4, and 5 of Basic Presort Parcels. Adding these volumes into worksheet “Hybrid BPM Presort Parcel” will result in an additional 11,186,557 units of Basic Presort Parcels. This change impacts numerous (67) cells in several worksheets, but the overall impact of this change and the change in number 3 is to increase the current BPM Parcel Revenue at current prices by \$16,258,505 and increase the BPM Parcel Revenue at new prices by \$16,332,373. These changes in BPM Parcel revenue result in a lower percentage increase in BPM Parcel prices (1.886% down to 1.812%) and a lower percentage increase for all Package Services (2.115% instead of 2.133%). All of these changes are highlighted in the “CAPCALC-PSVC-R2012 Revised” file.